



April 4, 2024

Re: Support for SF 5194 –the tax credit for conversion of underutilized buildings

Chair Rest and members of the Senate Tax Committee:

The League of Minnesota Cities appreciates the opportunity to provide comments on SF 5194. On behalf of our 838 member cities, we respectfully request that members support this new proposal, which would allow a tax credit for 30% of the total cost of qualifying conversion expenses for a qualifying project. SF 5194 (Klein) is modeled in many ways after the Historic Structure Rehabilitation tax credit, which is a proven tool to stimulate job growth and attract private investment. But the credit for conversion of underutilized buildings is particularly well suited at this moment to address significant issues that many cities are facing.

Many cities in Minnesota rely on commercial property tax revenue. But with the pandemic accelerating the trend of remote work and online sales, the importance of retail and office buildings has gone down. Their valuations and usage have decreased. As a result cities are facing budget challenges on top of questions of how to create attractive opportunities to use vacant property. This is a national trend that municipalities are grappling with every year when they set their levies and examine their long-term outlook.

Cities across Minnesota are faced with expensive barriers to rehabilitate and re-use buildings that are no longer fully providing their intended use. These barriers pose significant problems for cities seeking to re-use existing infrastructure and spur much needed development across the state. The League of Minnesota Cities supports resources for cities like this newly proposed tax credit that help with the conversion of underutilized buildings. Please join us in providing resources to address this growing issue by supporting SF 5194.

Sincerely,

A handwritten signature in black ink, appearing to read "Nathan Jesson", written in a cursive style.

Nathan Jesson  
League of Minnesota Cities